

108TH CONGRESS  
1ST SESSION

# H. R. 1287

To amend the Internal Revenue Code of 1986 to make health care coverage more accessible and affordable.

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IN THE HOUSE OF REPRESENTATIVES

MARCH 13, 2003

Mr. PAUL introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to make health care coverage more accessible and affordable.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Comprehensive Health  
5 Care Reform Act of 2003”.

6 **SEC. 2. REFUNDABLE CREDIT FOR HEALTH CARE COSTS.**

7 (a) IN GENERAL.—Section 35 of the Internal Rev-  
8 enue Code of 1986 (relating to health insurance costs of  
9 eligible individuals) is amended to read as follows:

1 **“SEC. 35. HEALTH INSURANCE COSTS.**

2 “(a) IN GENERAL.—In the case of an individual,  
3 there shall be allowed as a credit against the tax imposed  
4 by subtitle A an amount equal to the amount paid by the  
5 taxpayer for insurance which constitutes medical care for  
6 the taxpayer and the taxpayer’s spouse and dependents.

7 “(b) LIMITATION.—The credit allowed by subsection  
8 (a) for the taxable year shall not exceed the sum of—

9 “(1) the taxpayer’s net income tax for the tax-  
10 able year, and

11 “(2) the taxpayer’s social security taxes (as de-  
12 fined in section 24(d)) for such taxable year.

13 For purposes of paragraph (1), the term ‘net income tax’  
14 means the sum of the regular tax liability and the tax im-  
15 posed by section 55, reduced by the credits allowable  
16 under this part (other than this subpart).

17 “(c) DENIAL OF DOUBLE BENEFIT.—Any amount  
18 allowed as a credit under this section shall not be taken  
19 into account in determining the amount of any deduction  
20 under this chapter.”

21 (b) CONFORMING AMENDMENTS.—

22 (1) Section 162(l) of such Code is hereby re-  
23 pealed.

24 (2) Section 202 of the Trade Act of 2002, and  
25 the amendments made by such section, is hereby re-

1       pealed, and the Internal Revenue Code of 1986 shall  
2       be applied as if such section had not been enacted.

3           (3) The item relating to section 35 in the table  
4       of sections for subpart C of part IV of subchapter  
5       A of chapter 1 of such Code is amended to read as  
6       follows:

“Sec. 35. Health insurance costs.”

7       (c) EFFECTIVE DATE.—The amendments made by  
8       this section shall apply to taxable years beginning after  
9       December 31, 2003.

10   **SEC. 3. DISPOSITION OF UNUSED HEALTH BENEFITS IN**  
11                   **CAFETERIA PLANS AND FLEXIBLE SPENDING**  
12                   **ARRANGEMENTS.**

13       (a) IN GENERAL.—Section 125 of the Internal Rev-  
14       enue Code of 1986 (relating to cafeteria plans) is amended  
15       by redesignating subsections (h) and (i) as subsections (i)  
16       and (j), respectively, and by inserting after subsection (g)  
17       the following:

18       “(h) CARRYFORWARDS OR PAYMENTS OF CERTAIN  
19       UNUSED HEALTH BENEFITS.—

20           “(1) IN GENERAL.—For purposes of this title,  
21       a plan or other arrangement shall not fail to be  
22       treated as a cafeteria plan solely because qualified  
23       benefits under such plan include a health flexible  
24       spending arrangement under which not more than  
25       \$500 of unused health benefits may be—

1           “(A) carried forward to the succeeding  
2           plan year of such health flexible spending ar-  
3           rangement, or

4           “(B) paid to or on behalf of an employee  
5           as compensation as of the end of such plan year  
6           or upon the termination of, or failure to re-en-  
7           roll in, such plan or arrangement.

8           “(2) DISTRIBUTION OF UNUSED HEALTH BENE-  
9           FITS ON BEHALF OF EMPLOYEE.—For purposes of  
10          paragraph (1)(B), unused health benefits paid as  
11          compensation on behalf of an employee by the em-  
12          ployer shall be—

13          “(A) includible in gross income and wages  
14          of the employee, whether or not a deduction for  
15          such payment is allowable under this title to the  
16          employee, and

17          “(B) excludable from—

18                 “(i) gross income to the extent pro-  
19                 vided under section 402(e), 457(a) (with  
20                 respect to contributions to an eligible de-  
21                 ferred compensation plan (as defined in  
22                 section 457(b)) of an eligible employer de-  
23                 scribed in section 457(e)(1)(A)), or 220,  
24                 and

1 “(ii) wages to the extent otherwise  
2 provided for amounts so excludable.

3 “(3) HEALTH FLEXIBLE SPENDING ARRANGE-  
4 MENT.—For purposes of this subsection, the term  
5 ‘health flexible spending arrangement’ means a flexi-  
6 ble spending arrangement (as defined in section  
7 106(c)) that is a qualified benefit and only permits  
8 reimbursement for expenses for medical care (as de-  
9 fined in section 213(d)(1) (without regard to sub-  
10 paragraphs (C) and (D) thereof).

11 “(4) UNUSED HEALTH BENEFITS.—For pur-  
12 poses of this subsection, the term ‘unused health  
13 benefits’ means the excess of—

14 “(A) the maximum amount of reimburse-  
15 ment allowable during a plan year under a  
16 health flexible spending arrangement, over

17 “(B) the actual amount of reimbursement  
18 during such year under such arrangement.”.

19 (b) EFFECTIVE DATE.—The amendment made by  
20 subsection (a) shall apply to taxable years beginning after  
21 December 31, 2003.

22 **SEC. 4. EXPANSION OF AVAILABILITY OF ARCHER MEDICAL**  
23 **SAVINGS ACCOUNTS.**

24 (a) REPEAL OF DOLLAR LIMITATIONS ON AMOUNT  
25 THAT MAY BE CONTRIBUTED TO ARCHER MSA.—

1           (1) IN GENERAL.—Subsection (b) of section  
 2           220 of the Internal Revenue Code of 1986 (relating  
 3           to limitations) is amended by striking paragraphs  
 4           (1), (2), and (3) and by redesignating paragraphs  
 5           (4) through (7) as (1) through (4), respectively.

6           (2) CONFORMING AMENDMENT.—Paragraph (1)  
 7           of section 106(b) of such Code is amended by strik-  
 8           ing “to the extent” and all that follows and inserting  
 9           a period.

10          (b) REPEAL OF LIMITATIONS ON NUMBER OF MED-  
 11          ICAL SAVINGS ACCOUNTS.—

12           (1) IN GENERAL.—Subsections (i) and (j) of  
 13           section 220 of the Internal Revenue Code of 1986  
 14           are hereby repealed.

15           (2) CONFORMING AMENDMENTS.—

16           (A) Paragraph (1) of section 220(c) of  
 17           such Code is amended by striking subparagraph  
 18           (D).

19           (B) Section 138 of such Code is amended  
 20           by striking subsection (f).

21          (c) AVAILABILITY NOT LIMITED TO ACCOUNTS FOR  
 22          EMPLOYEES OF SMALL EMPLOYERS AND SELF-EM-  
 23          PLOYED INDIVIDUALS.—

1           (1) IN GENERAL.—Subparagraph (A) of section  
2       220(c)(1) of such Code (relating to eligible indi-  
3       vidual) is amended to read as follows:

4           “(A) IN GENERAL.—The term ‘eligible in-  
5       dividual’ means, with respect to any month, any  
6       individual if—

7           “(i) such individual is covered under a  
8       high deductible health plan as of the 1st  
9       day of such month, and

10          “(ii) such individual is not, while cov-  
11       ered under a high deductible health plan,  
12       covered under any health plan—

13               “(I) which is not a high deduct-  
14       ible health plan, and

15               “(II) which provides coverage for  
16       any benefit which is covered under the  
17       high deductible health plan.”.

18       (2) CONFORMING AMENDMENTS.—

19           (A) Section 220(c)(1) of such Code is  
20       amended by striking subparagraph (C).

21           (B) Section 220(c) of such Code is amend-  
22       ed by striking paragraph (4) (defining small  
23       employer) and by redesignating paragraph (5)  
24       as paragraph (4).

1 (C) Section 220(b) of such Code is amend-  
2 ed by striking paragraph (4) (relating to deduc-  
3 tion limited by compensation) and by redesignig-  
4 nating paragraphs (5), (6), and (7) as para-  
5 graphs (4), (5), and (6), respectively.

6 (d) BOTH EMPLOYERS AND EMPLOYEES MAY CON-  
7 TRIBUTE TO MEDICAL SAVINGS ACCOUNTS.—Paragraph  
8 (4) of section 220(b) of such Code (as redesignated by  
9 subsection (b)(2)(C)) is amended to read as follows:

10 “(4) COORDINATION WITH EXCLUSION FOR EM-  
11 PLOYER CONTRIBUTIONS.—The limitation which  
12 would (but for this paragraph) apply under this sub-  
13 section to the taxpayer for any taxable year shall be  
14 reduced (but not below zero) by the amount which  
15 would (but for section 106(b)) be includible in the  
16 taxpayer’s gross income for such taxable year.”.

17 (e) REDUCTION OF PERMITTED DEDUCTIBLES  
18 UNDER HIGH DEDUCTIBLE HEALTH PLANS.—

19 (1) IN GENERAL.—Subparagraph (A) of section  
20 220(c)(2) of such Code (defining high deductible  
21 health plan) is amended—

22 (A) by striking “\$1,500” in clause (i) and  
23 inserting “\$1,000”; and

24 (B) by striking “\$3,000” in clause (ii) and  
25 inserting “\$2,000”.



1           (2) CONFORMING AMENDMENT.—Subsection (g)  
2       of section 220 of such Code is amended to read as  
3       follows:

4       “(g) COST-OF-LIVING ADJUSTMENT.—

5           “(1) IN GENERAL.—In the case of any taxable  
6       year beginning in a calendar year after 1998, each  
7       dollar amount in subsection (c)(2) shall be increased  
8       by an amount equal to—

9           “(A) such dollar amount, multiplied by

10          “(B) the cost-of-living adjustment deter-  
11       mined under section 1(f)(3) for the calendar  
12       year in which such taxable year begins by sub-  
13       stituting ‘calendar year 1997’ for ‘calendar year  
14       1992’ in subparagraph (B) thereof.

15          “(2) SPECIAL RULES.—In the case of the  
16       \$1,000 amount in subsection (c)(2)(A)(i) and the  
17       \$2,000 amount in subsection (c)(2)(A)(ii), para-  
18       graph (1)(B) shall be applied by substituting ‘cal-  
19       endar year 2002’ for ‘calendar year 1997’.

20          “(3) ROUNDING.—If any increase under para-  
21       graph (1) or (2) is not a multiple of \$50, such in-  
22       crease shall be rounded to the nearest multiple of  
23       \$50.”.

24       (f) PROVIDING INCENTIVES FOR PREFERRED PRO-  
25       VIDER ORGANIZATIONS TO OFFER MEDICAL SAVINGS AC-

1 COUNTS.—Clause (ii) of section 220(c)(2)(B) of such Code  
2 is amended by striking “preventive care if” and all that  
3 follows and inserting “preventive care.”

4 (g) MEDICAL SAVINGS ACCOUNTS MAY BE OFFERED  
5 UNDER CAFETERIA PLANS.—Subsection (f) of section  
6 125 of such Code is amended by striking “106(b),”.

7 (h) EFFECTIVE DATE.—The amendments made by  
8 this section shall apply to taxable years beginning after  
9 December 31, 2003.

10 **SEC. 5. REPEAL OF 7.5 PERCENT THRESHOLD ON DEDUC-**  
11 **TION FOR MEDICAL EXPENSES.**

12 (a) IN GENERAL.—Subsection (a) of section 213 of  
13 the Internal Revenue Code of 1986 (relating to deduction  
14 for medical expenses) is amended by striking “to the ex-  
15 tent that such expenses exceed 7.5 percent of adjusted  
16 gross income”.

17 (b) EFFECTIVE DATE.—The amendment made by  
18 this section shall apply to taxable years beginning after  
19 December 31, 2003.

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